

FY17 Operating Budget Testimony
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My name is Michael H. Reed, and I serve as the Chair of the Philadelphia Board of Ethics. On behalf of the members of the Board, I thank you for this opportunity to discuss the proposed FY17 budget for the Philadelphia Board of Ethics and to highlight the Board's important role in City government.

The Board of Ethics has a broad mandate to administer and enforce the City's Public Integrity Laws, which include standards of conduct for City officials and employees, financial disclosure requirements, campaign finance matters, restrictions on political activities, and lobbying registration and reporting. By promoting honesty, transparency and integrity in City government, these laws ensure that City officials and employees make decisions with the interests of the public in mind. In short, these policies and the Board's work promote public confidence in City government.

We believe that if City officials, employees, candidates, and those engaged in lobbying know how and why the Public Integrity Laws apply to them, they can avoid making mistakes and avoid violations of the law. The Board therefore supports and encourages all efforts by our staff to improve our advice, education, training, and outreach efforts whenever possible.

The month of April, during which this testimony is being provided, gives a snapshot of the different ways that Board staff members assist City officials and employees and meet the constant demand for advice, training and outreach. We will assist thousands of City employees and board and commission members to comply with state and City financial disclosure laws by issuing reminder emails to filers; providing informal email, telephone and in-person guidance on the disclosure requirements; and assisting filers with the online financial disclosure filing software. We expect that there will be increased demand for assistance this year because there are many new City employees and many new board and commission members who must file disclosure reports.

At the same time, we will conduct in-person ethics and train-the-trainer classes and continue to give guidance to City officials and employees who have questions about the Public Integrity Laws. In addition to providing written opinions, we will also respond by phone and in-person to dozens of requests for informal guidance addressing conflicts of interest, permissible political activity, lobbying filing requirements, and post-employment restrictions.

Advice

The Board provides advice to City officials and employees through informal general guidance and written advisory opinions. At every opportunity, we encourage City officials, employees,

candidates, campaigns and lobbyists to ask for advice before they act because this is the most effective tool to prevent potential violations of the Public Integrity Laws.

There is an increasingly heavy demand for informal guidance, which includes phone calls, emails and in-person meetings. Board staff members receive and field new inquiries on a daily basis and help hundreds of requestors each year to understand legal requirements and comply with the laws. We expect to respond to hundreds of informal guidance requests during this fiscal year and expect at least 300 requests for financial disclosure filing assistance in April alone. The willingness of Board staff to respond quickly to questions by email or telephone, whenever possible and appropriate, has contributed to a growing demand for this type of advice.

In anticipation of the July 2016 Democratic National Convention that will take place in Philadelphia, in late March of this year, the Board provided proactive guidance to City employees about how to comply with the Charter political activity restrictions and engage in volunteer opportunities related to the Democratic National Convention. Board Staff worked closely with the non-profit Philadelphia 2016 Host Committee to gather the complex relevant facts about Convention-related volunteer opportunities. As a result of this collaboration, the Host Committee modified its online volunteer registration portal to create a “City Volunteers” option, which provides City employees an easy path to comply with the political activity restrictions.

The Board then issued two Advisory Alerts to City employees by e-mail that provided simple guidelines for permissible and prohibited activities for Convention-related volunteering. One Alert addressed appointed employees in the Executive and Administrative Branch, and the second Alert addressed employees of City Council who are subject to different political activity restrictions.

Training and Outreach Efforts

During FY2015, which ended on June 30, 2015, Board staff conducted 28 in-person training and outreach sessions that were attended by more than 700 people. We are pleased to note that in the first nine months of FY2016, we have already conducted 35 in-person ethics training classes that were attended by more than 800 City officials and employees. Therefore, nine months into the current fiscal year there have already been 25 percent more classes that served 14 percent more people. When necessary, these ethics training classes were held in several convenient locations to meet the needs of City employees and other attendees.

In addition, in advance of the November 2015 General Election, there were five “live” campaign finance classes between September 15 and October 15, 2015 that were attended by 50 people. These sessions included standard campaign finance information, information about new filing requirements, and the “nuts & bolts” of electronic filing.

Each training session offered by Board staff is interactive and attendees are encouraged to participate and ask questions. The purpose of each class is to give participants information needed to recognize issues under the Public Integrity Laws and to know how to obtain advice

and guidance from Board staff. The Board continues to believe that its training efforts and the responsiveness of its staff are the major tools to avoid violations of the Public Integrity Laws.

In addition to the staff members who conduct training sessions, other staff members are involved in the Board's overall education program. They continually review and update our training materials and improve the information posted on our website. For example, there was a major change in the Campaign Finance Law that affected candidates and committees in the 2015 General Election. Staff members immediately incorporated those changes into its training sessions, provided new information on the Board's website, and issued notices and alerts to those who would be affected by the changes.

Another important but possibly less noticeable component of the Board's training and outreach efforts is the assistance that staff members provide to members of the public who wish to search the large and complex online campaign finance and lobbying databases. Whether on the telephone or in-person, staff members frequently "walk" citizens through the methods for identifying data and generating reports. We were again disappointed that our plans to offer online ethics and lobbying training were delayed during the past year because of limited staff resources. However, we look forward to implementing this technology as soon as possible.

Major Legislative Initiative

In anticipation of significant spending activity in 2015 City elections, in my April 2015 Budget Testimony, I said that the Board would remain vigilant to ensure public access to full and complete disclosures of contributions and expenditures by candidates, Independent Expenditure Committees, and other groups spending money to influence the 2015 City elections. I noted that the U.S. Supreme Court has consistently upheld and endorsed campaign finance disclosure requirements and suggested that the City should consider ways to improve public disclosure requirements by requiring more frequent and complete disclosures by independent groups in the weeks leading up to an election. I concluded by saying that the Board would make recommendations to City Council and the Mayor to improve existing disclosure requirements.

The Board of Ethics made good on that commitment and proposed an amendment to the City's Campaign Finance Law to City Council and the Mayor that would increase campaign finance disclosures in the six weeks leading up to a Primary or General election. City Council unanimously passed the amendment, which was signed into law by then-Mayor Nutter on June 18, 2015.

The amendment added additional reporting requirements six weeks before local elections for City candidates and any political committees that make or incur expenditures to influence City elections. It also imposed new reporting requirements on any person, which includes political committees and not-for-profit organizations, that makes or incurs expenditures for electioneering communications in excess of \$5,000 in the 50 days before an election. An electioneering communication includes any broadcast, cable, radio, print, Internet, or satellite communication that (a) promotes, attacks, supports, or opposes a candidate, or (b) within 50 days of a covered election, names, refers to, includes, or depicts a candidate in that covered election.

Before this amendment, some not-for-profit entities making independent expenditures to influence City elections were not disclosing complete donor information because they are not registered as political committees under state law. Such groups have emerged in recent years around the country as key players in elections. Now, as a result of the amendment to the City's Campaign Finance Law, noted above, in Philadelphia they have to disclose all donor information, just like PACs already do.

The new disclosure requirements will enhance the public's ability to be fully informed about who is spending money to influence City elections. They put Philadelphia in the vanguard of an effort to shed light on super PACs and non-profits that have been spending millions of dollars nationwide to influence federal, state and local elections since the Supreme Court's *Citizens United* decision.

This amendment to the City's Campaign Finance Law is the most recent example of an ongoing collaborative effort among City Council, the Board and the Office of the Mayor to improve the City's Public Integrity Laws. I believe that this collaboration is beneficial and unique. The resulting expansion of campaign finance disclosure to the public is unprecedented.

On-Going Lobbying and Financial Disclosure Efforts

Several Board staff members are involved on a daily basis with administration of the Lobbying Law. They assist filers with use of the online system, answer questions about the Lobbying Law, and help members of the public who are searching for lobbying information. Based on comments received from filers, Board staff has worked with the lobbying software vendor to make improvements and adjustments to the Philadelphia Lobbying Information System (PLIS).

Administration of financial disclosure requirements for City officials, employees, and board and commission members is a cooperative effort of the City's Records and Human Resources Departments and the Board. Several thousand individuals, including members of City boards and commissions, must file one or more financial disclosure forms. In cooperation with the Records Department, we facilitated improvements to the electronic filing software for financial disclosure, and Human Resources managers work with employees in their City departments to ensure compliance with filing requirements.

Enforcement

The Board's enforcement staff conducted numerous investigations of potential violations of the Public Integrity Laws during the past year. Enforcement activity in recent months ensured that the public had the benefit of complete and accurate campaign finance reports in 2015 elections. The Board approved 44 settlement agreements that addressed violations of the City's Campaign Finance Law in the 2015 Philadelphia Municipal Elections. In most cases, the violations concerned late filing of campaign finance reports, including 24-hour campaign finance reports, and material omissions from campaign finance reports filed with the Board. The Board's enforcement efforts ensured that the public had access to required contribution and expenditure information.

In order to promote compliance with the Public Integrity Laws and thereby reduce the need for enforcement, the Board remains committed to expanding and improving its outreach and education efforts. In 2015, Board staff presented numerous trainings and also answered hundreds of questions from candidates, treasurers, City employees, and others.

FY17 Appropriation

The Ethics Board's operating budget for FY17, as proposed by the Administration, is \$1,071,403 and includes \$961,403 for salaries, \$96,000 for purchase of services, and \$14,000 for supplies and equipment. As part of our FY17 budget submission, the Board requested additional FY17 funding in the amount of \$250,000 to expand the Board's work toward achieving ethical, transparent and accessible City government. The FY17 budget proposed by the Administration did not include our \$250,000 request.

We therefore respectfully request that City Council recognize the importance of the Board's work and provide the additional funding in FY2017 to enhance the Board's programs. As described in the Board's budget submission, additional funds are requested in Classes 100 and 200 to expand the Board's staff to fill crucial roles and to begin two technology-related tasks.

Most important to the Board's mission to increase public confidence in City government, the additional Class 100 funding will permit the Board to create new positions that will expand the Board's ability to: 1) support the Campaign Finance, Lobbying and Financial Disclosure online applications used by the public, candidates, political committees, and lobbying entities; 2) expand the Board's ability to provide timely training and advice to City employees; and 3) enhance the Board's enforcement capability to conduct investigative matters. These positions will further the Board's primary goals to enhance compliance with the Public Integrity Laws through education and, where necessary, enforcement actions and thereby promote honesty, transparency, and integrity in City government.

The Board's ongoing work ensures transparency through public access to online disclosure of campaign finance and lobbying information which provide public access to information about the funding of City political campaigns and about entities that are lobbying City officials for legislative and administrative action. This information shines light on entities and individuals who may be in a position to influence government legislative and administrative processes. There are many improvements that should be made to the Campaign Finance and Lobbying software applications to increase and enhance public access to this information. A portion of the additional funds requested in Class 200 will therefore be used to evaluate the feasibility of improvements to and updating of these two systems.

Providing online training, especially ethics training for City employees and board and commission members, will significantly expand the ability of the Board's staff to reach all individuals who are required to receive training. Board staff has tried for several years to implement this project, but a lack of resources (both money and staff time) has forced the Board to defer this project. The Board understands that there are now new software solutions available to make this project a reality. Class 200 funds will be used to evaluate the options to complete the Board's online training initiative.

Conclusion

The Board and the members of our staff remain enthusiastic about our mission to promote honesty, integrity and transparency in Philadelphia government and we look forward to continuing to serve the citizens of Philadelphia. We believe that our actions help to maintain public confidence in City government.

Thank you for receiving this testimony. I will be happy to respond to any questions you may have. We would also be pleased to meet with you at your convenience if you wish to discuss any of these matters.